

Approved Minutes

Utah Charter School Finance Authority March 20, 2015

Members of the Authority present:

Richard Ellis (Chair of Authority, Utah State Treasurer)
Phil Dean (Governor's Office of Management and Budget)
Bruce D. Williams (Secretary of Authority, Utah State Office of Education)

Others Present:

David Damschen (Deputy Utah State Treasurer)
Danny Schoenfeld (Utah State Office of Education)
Jodi Lusty (Providence Hall)
Kathy Watson (Providence Hall)
Max Meyer (Providence Hall)
Alicia Hansen (Providence Hall)
Melanie Kingdom (Providence Hall)
Erin Preston (Lear Law)
Lincoln Fillmore (Charter Solutions)
Perri Babalis (Attorney General)
Ryan Warburton (Ballard Spahr)
Jacob Carlton (Ballard Spahr)
Jon Bronson (Zions Bank)
Brian Baker (Zions Bank)
Reed Smith (Attorney General)
Lynne Max (Providence Hall)
Brian Fauver (Providence Hall)
Sonya Peterson (Providence Hall)
Clare Tobin Lence (Legislative Fiscal Analyst)
James Endrizzi (Providence Hall)
Nathan Marshall (Providence Hall)
Elysa Dishman (UCA)
John Buck (UCA)
Jim Blandford (Baird and Company)
Clint Biesinger (Verapath Global)

Meeting called to order by Richard Ellis at 11:08 AM

Items of Business:

1. Approval of Minutes

Motion was made to approve the minutes of the January 5, 2015 meeting by Phil Dean. The motion was carried unanimously.

2. Discussion

The Authority discussed a recent report of noncompliance by Providence Hall related to the covenant for debt service coverage in the school's Loan Agreement with the Authority. That Agreement requires the school to meet or exceed a debt coverage ratio of 1.15. The school's FY 2014 ratio was calculated at .94, and the school projects that the ratio for FY 2015 will likewise not meet a test for compliance with the covenant. Representatives from the school suggested the school could likely come back into compliance in FY 2016. In accordance with Credit Enhancement

Program standards, the school could be required to hire a consultant to assist it in regaining compliance, or the annual Credit Enhancement Program contribution could be increased by the Authority up to .50%.

Sonya Peterson and other representatives from Providence Hall were present. Representatives from the school asserted that the problem stemmed from having a covenant tied to revenues of three campuses being tested before all campuses (and corresponding revenues) were fully in service.

There was discussion regarding one of the school's buildings which was financed through the USDA.

Authority board members briefly discussed the options available to address the deficiency.

Bruce Williams made a motion that the school come back with some additional information: Details of FY 2014 Budget and Actual, FY 2015 Adopted Budget, FY 2015 Amended Budget, and FY 2015 YTD revenues and expenses through March, 2015. The motion was carried unanimously.

3. Discussion

The Authority discussed the financing application and request for qualification under the Credit Enhancement Program of Utah Charter Academies (UCA). Due to previous financings and related holders of liens on several of UCA's real estate and revenue interests, the application entails exceptions to the Credit Enhancement Program. Goldman Sachs is the existing lienholder on several interests of concern to the Authority.

Members of the Authority board discussed various questions with members of UCA's board, staff, and financing team, to ensure that the current structure was well understood and to determine what kinds of concessions the Authority feels are prudent to ask of Goldman Sachs regarding Goldman's interests in the schools' revenues and real estate assets.

Bruce Williams asked to have additional time to consider the information provided by representatives from UCA and the financing team.

Motion was made by Bruce Williams to adjourn.